



PRESENTATION TO THE ASSEMBLY UTILITIES AND COMMERCE COMMITTEE ON THE 2006 WORK PLAN AND SB 960 COMPLIANCE

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PUC Work Plan 2006



The PUC's Work Plan informs the Governor, Legislature, and public about the major activities the Commission plans to undertake this year.

- Describes implementation of Action Plans
 - Energy Action Plan II
 - Water Action Plan
 - Railroad Safety Action Plan
- Specifies how the PUC will satisfy Legislative requirements
- Identifies key priorities

The Work Plan is submitted pursuant to Public Utilities Code §321.6 and §321.7.

Energy Issues – CA Solar Initiative



PUC will begin implementation of the California Solar Initiative.

- Provides \$2.9 billion in incentives between 2007 and 2017:
 - Provides incentives to customer-side photovoltaics (PV) and solar thermal electric projects under 1 MW capacity without increasing monthly customer bills.
 - Authorizes a pilot solar water heater incentive program for customers of SDG&E and possibly statewide.
 - Sets initial PV incentive levels at \$2.80 per watt, to be reduced by an average of approximately 10% annually.
 - Allocates 10% of program funds for low-income and affordable housing.
 - Will develop a pay-for-performance incentive structure to reward high-performing solar projects.
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Energy Issues – Energy Efficiency



Launched the most ambitious energy efficiency and conservation campaign in the history of the utility industry in the U.S.

- Authorized energy efficiency plans and \$2 billion in funding for 2006-2008 for the state's utilities.
 - Reaffirms that cost-effective energy efficiency is the state's first line of defense against power shortages.
 - Programs cut energy costs for homes and businesses by more than \$5 billion, eliminating the need to build three large power plants over the next three years, and reducing global warming pollution by an estimated 3.4 million tons of carbon dioxide by 2008, which is equivalent to taking about 650,000 cars off the road.
 - Funding enables both residential and business customers to take more advantage of the diverse mix of energy efficiency and conservation programs throughout the state.
 - ***In 2006, Commission will develop reporting requirements and evaluation, measurement and verification protocols, to ensure that energy savings are achieved in a cost-effective manner***

Energy Issues – Resource Adequacy



Adopted Resource Adequacy requirements for all Load Serving Entities (LSE):

- Adopts a “Top-Down” monthly system peak approach, with a year-ahead demonstration for summer months
- Provides for a phased-in approach to reduce the use of non-unit specific contracts from meeting LSEs resource adequacy requirements.
- Affirms the need for a localized capacity requirement but defers implementation until the record is fully developed.
- Imposes sanctions for LSE non-compliance and fines for administrative violations.
- ***Issues to be resolved in 2006 through interagency coordination and other proceedings:***
 - ***Mechanism to facilitate long term contracts for new generation – summer 2006***
 - ***Adoption of local capacity requirements – summer 2006***
 - ***Consideration of three- or four-year forward RA requirement, to enable new supply sources to compete***
 - ***Consideration of development of capacity auctions***

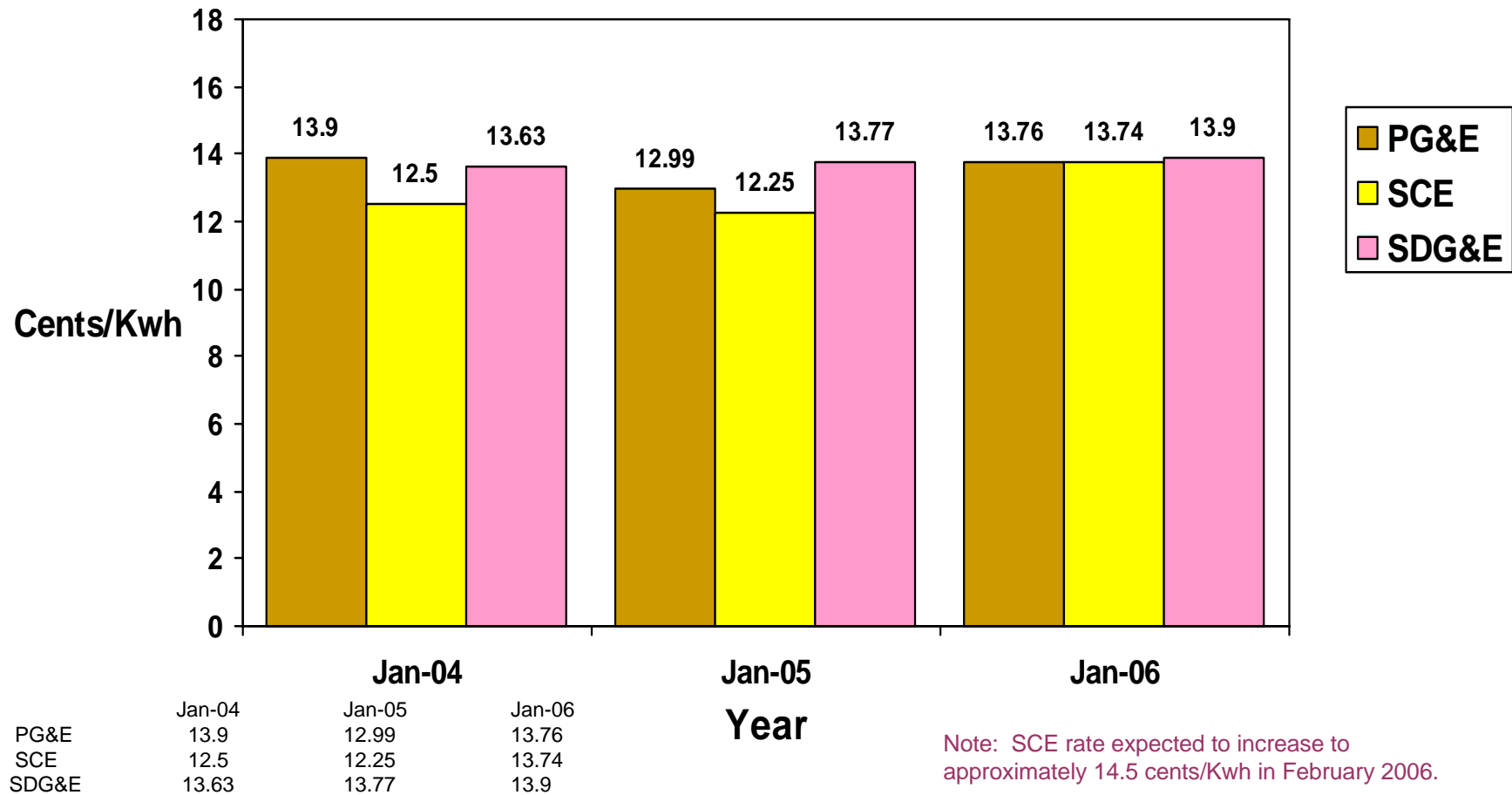
Natural Gas



PUC will continue work to lessen the impact of rising natural gas prices on consumers. Efforts to date include:

- ❑ Simplified enrollment in low-income programs and increased eligibility so more customers qualify for a 20 percent discount on utility bills. Low-income customers will not be dropped from programs during the winter months for failure to recertify income eligibility.
- ❑ Established a “no shut off” policy as long as minimum bill payments are made.
- ❑ Required utilities to waive reconnection fees and deposits for qualifying low-income customers this winter.
- ❑ Directed utilities to expand and improve programs that allow customers to pay level bill amounts throughout the year.
- ❑ Approved a 10/20 plan for PG&E that offers a 20 percent discount for customers who reduce their natural gas usage by 10 percent or more.
- ❑ For SoCalGas customers, approved using low-cost storage natural gas to supply low-income customers, saving tens of millions of dollars.
- ❑ Approved expanded hedging for utilities.
- ❑ ***Natural Gas Rulemaking will address infrastructure adequacy issues, decision is expected in the first or second quarter of 2006***

Comparison of System Average Rates for PG&E, SCE, and SDG&E (Bundled Service)





Developed a Water Action Plan

- The plan identifies policy objectives that will guide the Commission in regulating investor-owned water utilities and highlights the actions that the Commission anticipates or will consider taking in order to implement these objectives.
- Objectives in regulating water utilities rest on four key principles:
 - ❑ 1) Safe, high quality water;
 - ❑ 2) Highly reliable water supplies;
 - ❑ 3) Efficient use of water, and;
 - ❑ 4) Reasonable rates and viable utilities.

Water Action Plan - continued



- Building off of the four key principles, the PUC developed six objectives, each with a series of actions that advance them:
 - ❑ Maintain Highest Standards of Water Quality
 - ❑ Strengthen Water Conservation Programs to a Level Comparable to Those of Energy Utilities
 - ❑ Promote Water Infrastructure Investment
 - ❑ Assist Low-Income Ratepayers
 - ❑ Streamline PUC Regulatory Decision-making
 - ❑ Set Rates That Balance Investment, Conservation, and Affordability
 - ❑ ***Will be sponsoring a Water and Energy Symposium March 28, 2005 in Sacramento. Will follow up with further details.***

Telco – Consumer Bill of Rights



- Proposed decision calls for the launch of an extensive consumer education program, creation of a special Telecommunications Consumer Fraud Unit at the PUC, and expansion of the Commission's toll-free consumer hotline for complaints against wireless and other carriers.
 - Consumer Fraud Unit at the PUC would be the first of its kind in the nation. The special unit would be devoted to analyzing complaints from consumers about telecommunications fraud and quickly identifying sellers that target consumers with fraudulent information, slam and cram consumers with services they did not wish to purchase, and mislead consumers for whom English is a second language.
- Proposed decision also adopts a bill of rights for consumers, which includes principles that recognize that consumers should have the freedom to choose among their telecommunications service providers.

Telco – Mergers



PUC issued decisions approving the SBC-AT&T and Verizon-MCI mergers.

- As a condition of approving both mergers, the PUC required SBC and Verizon to offer “stand-alone DSL.” This condition allows customers to use high-speed DSL service without purchasing standard phone service from their DSL service provider.
 - SBC and Verizon have jointly committed a total of approximately \$100 million to increase access to broadband and advanced telecommunications services to underserved communities in California. No other state has received a similar commitment of this size.
 - SBC and Verizon agreed to increase corporate philanthropy by \$47 million and \$20 million, respectively, over five years and to focus those contributions on low-income and underserved communities.
 - Both companies will contribute a total of \$60 million to the California Emerging Technology Fund, which will focus on building broadband networks in areas with limited access to high-speed Internet service. The structure of this Fund was created in response to the many good ideas included in legislation proposed by Senator Escutia last year.
 - Both companies also agreed to increase supplier diversity goals and provide technical assistance to minority businesses and other underserved communities.
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Rail Safety



- PUC will continue implementation of our Railroad Safety Action Plan
 - ❑ Amend federal laws to allow state regulation of local safety hazards
 - ❑ Increase the number of focused track, equipment & operating practice inspections by PUC staff
 - ❑ Investigate all rail-related fatalities & significant crossing accidents
 - ❑ Advocate changes in laws & operational practices that ensure efficient train line-ups and minimize crew fatigue
 - ❑ Collect & analyze “near miss data” for rail crossings & rail right of way
 - ❑ Publish reports of all investigated rail accidents, collisions, & derailments
 - ❑ Convene quarterly meetings with the FRA’s Regional Management team
 - ❑ Expand the PUC’s commitment to the Operation LifeSaver Program
 - ❑ Publicly advocate for new safety technologies
 - ❑ Consider authorizing issuance of “on-the-spot-citations” for violations of Commission General Orders
 - ❑ Support Federal and State railroad safety legislation from inception

Rail Safety - continued



- PUC will continue to certify safety new rail transit systems and expansion of existing systems
 - PUC will identify new construction projects that adversely impact rail safety, and educate local and state officials about safety concerns and, as necessary, take other actions to ensure that rail safety is addressed before the project is built
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Commission Wide Initiatives



Modernizing the Commission

- ❑ The Commission continues to streamline processes and procedures so that we can operate in the 21st century and still maintain parties' due process rights.
- ❑ We are striving to do more electronically and, as reported to you last year, we intend to launch our electronic filing pilot project at the end of the 1st Q 2006.
- ❑ With the Commissioners' endorsement, we continue to promote settlement and alternative dispute resolution techniques in various proceedings.
- ❑ The Commission adopted a pilot program to streamline processing of Sec. 851 applications by advice letters when certain criteria are met.

SB 960 Compliance

- ❑ The PUC resolved approximately 85 percent of its 450 proceedings consistent with legislative deadlines and continues to work on closing older proceedings.
 - ❑ Proceedings were open for an average of 196 days in 2004 compared to 120 days in 2005. This is a significant improvement and one that we plan to build on.
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